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**THE COLLAPSE OF THE JAPANESE EMPIRE  
AND THE NORMALIZATION OF ITS RELATIONS  
WITH SOUTH KOREA (1945-1965):  
REPATRIATION, REPARATIONS, AND  
EXTERNAL ASSETS RECONSIDERED**

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How did the collapse of the Japanese Empire affect the course of postwar Japanese diplomatic and social relations with its neighboring countries? This chapter examines how the Japanese Empire was deconstructed and transformed into a unit of nation states which have normal relations between each other, focusing on the role of the United States, repatriation of Japanese residents, and the problem of Japanese external assets in Korea with war-related compensation issues.

Historically, expansion of the Japanese Empire was supported by the subimperialism of Japanese civilians, consisting mostly of marginalized ex-samurai who failed to secure a place in domestic society, Buddhist monks, and second or third sons of agricultural peasants. As speculators or prostitutes, they voluntarily emigrated to treaty ports in Korea, China, and Southeast Asia by their own will, though sometimes the Japanese government encouraged them to emigrate, such as in the case of Taiwan. Especially in Korea, many such voluntarily emigrated residents were found in the aftermath of the Russo-Japanese War.<sup>1</sup> Japanese consuls and the consulates' police protected them on the grounds of extraterritoriality; they were not subjected to either arrest or taxation. Behind the protective shield of extraterritoriality, these Japanese settlers sometimes called

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<sup>1</sup> Asano Toyomi, "Teikoku to chiiki-shugi no bunsuirei: Hogokoku Kankoku no chigai-hoken haishi to zaikan nihon-jin kazei mondai [A Divide between Empire and Regionalism: Abolishing Extraterritoriality under Protected Korea and Taxation of Japanese Residents in Korea]," in *Nichiro senso kenkyu no shin-shiten* [New Perspectives in the Study of the Russo-Japanese War] (Tokyo: Seibun Publishers, 2005), pp. 336-356.

for an imperialistic enterprise even more forcefully than the Japanese government itself intended vis-à-vis its neighbors.<sup>2</sup> At least concerning their initial private assets, they profited under the protection of the extraterritorial treaty port system. Even after formal colonization, these inhabitants enjoyed special legal status as genuine Japanese citizens eligible for favorable treatment regarding education, employment in public agencies, and conscription to military service, separated from the indigenous people labeled as incomplete Japanese.

However, when World War II ended and the Japanese Empire was occupied and divided up by the Allied powers of Soviet Russia, China, and the United States, almost all residents identified as pure Japanese were forced to evacuate from all divided peripheral territories. Furthermore, even Japanese “private” external assets were confiscated as a substitute for reparations that the Japanese government was obliged to pay to the Allied powers. In South Korea, such external private assets were composed of several tangible and intangible properties, including insurance, bank accounts, factories, shops, buildings, and private houses.

The policy toward Japanese repatriation and external assets stemmed from the American reparations policy toward the Axis countries during World War II. A US document in May 1944 proposed that Japan should pay reparations by accepting liquidation of the public and private external assets that existed in its peripheral regions and all foreign countries.<sup>3</sup> Regarding how to process the liquidation, the US State Department argued that the definition of “private” external assets should be narrowed to the extent possible because private properties were supposed to be exempt from liquidation, protected by international law.<sup>4</sup> The same document argues that the concept of private assets would

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<sup>2</sup> Asano Toyomi, *Teikoku Nihon no shokuminchi hosei* [The Colonial Legal System of the Japanese Empire] (Nagoya: Nagoya University Press, 2008), Chapter 2.

<sup>3</sup> “US Policy of Confiscating Japanese Private External Assets,” CAC-197, US State Dept. 1944.5.19, Notter File, RG59, National Archives in Maryland (National Archives and Records Administration, NARA).

<sup>4</sup> Even in Germany’s reparations after World War I, the private external assets located in the ceded territories were confiscated only under the condition that their total value should be counted as a part of the official reparation price that the German government should pay.

be respected only in US-occupied zones, while this “respectful” policy in the US zones should not be regarded as a model applicable to other Allied powers. Moreover, it also indicates that the Japanese government should compensate the original owners, the repatriated Japanese, for the liquidated Japanese private assets.

Thus, the US government regarded the confiscation of Japanese private assets as the most practical means among the options to force postwar Japan to pay its reparations. Embedded in this historical context, Allied reparations policies towards postwar Japan were closely related to the dismantling of the Japanese Empire.

The Japanese government, in contrast, believed that external private assets should be protected by international law and regarded them as worth due compensation. Even Tadao Yanaihara, professor of Tokyo University renowned for his liberal position,<sup>5</sup> disputed the confiscation of Japanese private assets. He spoke as follows at the National Diet in 1952:

I cannot recognize the post-World War II international order to be essentially more progressive than that after World War I. The first reason comes from the fact that all Japanese residents in Asia were forced to evacuate to Japan proper after the war ended. Some of them might have been active Japanese imperialists who collaborated with Japanese militarists, but quite a few of them had settled themselves with their private assets and had peacefully led their own lives with local indigenous peoples. They had had their own houses and real estates acquired by their own hands. However, these external assets were confiscated by the Allied occupation forces without any compensation. Though I have understood indigenous people’s profound anti-Japanese sentiments that derive from anticolonial nationalism and belligerent actions during the war, I cannot but regard this confiscation as an expression of a nationalistic hatred that is not compatible with the ideal of international peace.<sup>6</sup>

This chapter focuses on the historical arguments regarding Japanese external assets and reparations in general, from the perspective of

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<sup>5</sup> Yanaihara was forced to resign after his criticism of the Sino-Japanese War in 1937, but returned to the university in 1945.

<sup>6</sup> Tadao Yanaihara, “Minzoku no kachi to heiwa no kachi” [National Values and the Value of Peace], in *Yanaihara Tadao zenshu* [The Complete Works of Tadao Yanaihara], vol. 20, first published in the journal *Sekai* in January 1952.

the decolonization of the Japanese Empire and the formation of new international relations in East Asia. It is my hope that this vantage point will lay a new cornerstone of international historical discussion, deciphering the complicated relations that seem to have shaped the roots of the historical issues between postwar Japan and its neighbors.

### **US REPARATIONS POLICY TO CREATE A REGIONAL INTEGRATION**

The first important factor was the US occupation policy by which Japanese external assets left behind in ex-colonies were regarded as a main item of Japanese reparations. This US reparations policy was supposed to be established for the following reasons.<sup>7</sup> First of all, there was no other way of extracting reparations from Japan. Reparations by Japanese labor were not an attractive option because labor costs in other Asian countries were low. Reparations by industrial products would simply speed up the recovery of the Japanese economy while ex-colonial regions would still remain poor. Reparations by cash would trigger high inflation that might rally Japanese people in support of reviving militarism and imperialism aimed at Asian countries, as had happened to Germany in the 1930s. Secondly, in an effort to prevent reparations from hampering the reconstruction of the Japanese economy, the United States considered that external assets had little to do with it. Thirdly, the United States regarded confiscation of external assets as morally justifiable since they had initially been amassed before the war with the help of the Japanese government's financial aid and special protection of their owners. Fourthly, most of the external private assets were owned by wealthy people whom the United States regarded as being more responsible for the aggression. Fifthly, confiscating public assets alone while enfranchising private assets would upset the Chinese who were trying to expropriate both. Finally, since the Axis powers had violated international law first, the United States did not recognize the Japanese government as a legitimate claimant of rights of its nationals.

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<sup>7</sup> "US Policy of Confiscating Japanese Private External Assets."

In light of these reasons, the United States considered that confiscation of Japanese external assets and reorganizing the imperial economic order was the most convenient method of reparations policy toward postwar Japan. In tune with this direction to assess the possibility of reordering the empire and transforming it into a regional economic structure, President Harry Truman dispatched a US special reparations mission coordinated by Edwin W. Pauley, not only to postwar Japan proper in November 1945 but also to North Korea and Manchuria in May 1946, which the Soviet Army had occupied in the last phase of World War II. The Pauley mission submitted a final report in November 1946. Pauley recommended that by using Japanese capital such as factories and installations that had been de facto handed over to the Allied powers, the Japanese imperial economic order in East Asia could be transformed into a set of regional economic links with each colony to be given independence, while Japanese imperial economic installations as an autonomous entity equipped with heavy industry were to be broken up and delivered to each independent ex-colony for the development of its national economy. In this scenario, Japan would supposedly be no longer able to produce mechanized weapons such as fighter planes and tanks on its own, because the previous concentration of heavy industries was to be transplanted across the region.<sup>8</sup>

However, Pauley's plan never materialized for several reasons. First, General Douglas MacArthur of GHQ-SCAP opposed Pauley's proposal because he admitted the truth of the Japanese claim that only superior factories would be prior to be targeted and transplanted from Japan proper to its surrounding countries to supplement Japanese external assets there. From MacArthur's point of view, the democratization of Japanese society had just begun to receive a warm welcome from the citizens, which MacArthur thought to derive from the Japanese expectation that democracy would come in tandem with economic recovery and people's welfare. MacArthur thus feared that if a number of high-quality factories in the iron, metal, chemical, and machine industries were to be expropriated as reparations from mainland Japan, a serious economic depression might follow, which would quash what

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<sup>8</sup> "Records relating to Soviet Occupied Korea," Box 77, Entry 1106G; Pauley Reparation Mission, RG59 in NARA.

little progress made toward democratization in Japanese society, once riddled with ultranationalism. The general was anxious lest the Japanese people should support militarism again.<sup>9</sup>

Second, Soviet Russia did not support Pauley's blueprint, either, which induced conflict between the United States and USSR in the Far Eastern Committee, established in 1946 in Washington DC and in charge of the Allied reparations policy toward postwar Japan. The Soviets had already moved many Japanese heavy industry installations away from Manchuria. The Red Army saw Japanese external assets as "war booty," while Pauley insisted that they should be regarded as part of the Japanese reparations. Pauley's anti-Soviet attitude derived from his experience in Moscow immediately after Germany's surrender in May 1945, when a similar conflict had occurred. Based on the ratio of the division of reparations among the Allied powers agreed at the Potsdam Conference, the Soviets insisted on an arrangement to transfer a part of German assets in the Western zone to the Soviet Union. The Western Allied powers, however, demanded that the Soviet Union first calculate the total amount of confiscated German assets in the Eastern zone. In response, the Soviets argued that the confiscation in Eastern Germany was part of "war booty," which was expropriated for military reasons and thus should not be counted as part of reparations. The Far Eastern Committee, established as an Allied coordinating institution for the occupation of Japan, also failed to determine the amount of Japanese reparations to be paid to Allied nations, because of the USSR's objection to the inclusion of confiscated Japanese assets in Manchuria into the calculation.<sup>10</sup>

Finally, in 1947, as the Cold War commenced in Eastern Europe and the Chinese civil war escalated, US occupation policy towards Japan began to change, which empowered the Japanese government's resistance. Pauley's plan to create regional economic networks had been originally designed to yield a strong China as quickly as possible by means of its heavy industrial installations in Manchuria. However,

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<sup>9</sup> "Comments on Ambassador Pauley's Report to the President," Box 90, *ibid.*

<sup>10</sup> Okurasho zaiseishi-shitsu [Ministry of Finance, Bureau to Compose a History of Public Finance], ed., *Showa zaisei-shi* [History of Public Finance in the Showa Era], vol. 1 "Sosetsu, baisho, shusen shori" [General Overview, Reparation, and Postwar Arrangements] (Tokyo: Toyo Keizai Shinpo, 1984), pp. 250, 266-269.

this vision was finally replaced by another blueprint of East Asia, which was to be centered in Japan that was expected to be democratized, “re-educated,” and indeed pro-Americanized.<sup>11</sup> In this regional vision embraced by the United States, Japan’s postwar status became more important than previously, and the US reparations policy toward Japan subsided accordingly.

### JAPAN’S STRATEGY REGARDING REPARATIONS AND EXTERNAL ASSETS

The more important the Japanese strategic position became, the more influence Japan came to exert upon the Allied reparations policy. In the eyes of the Japanese government, then, reparations loomed as an issue more critical than even the question of security, because the reconstruction of the Japanese economy hinged upon the ultimate fate of reparations.<sup>12</sup> In July 1947, the Japanese Foreign Ministry raised several issues concerning reparations and external assets. First, it asked whether Japanese assets in Manchuria confiscated by Soviet forces would be counted as part of reparations. The second issue was whether Japanese assets in Korea and Taiwan should be treated in the same way as those in the territories occupied by Japan during World War II. The Foreign Ministry requested that the Allies respect the historical fact that well before 1931 when Japan started illegal invasion to Manchuria, Korea and Taiwan had been legitimately incorporated into the Japanese Empire as formal colonies in line with international recognition. Thirdly, it was still not determined how to evaluate every item of external assets or to set a standard of foreign exchange rates. The fourth issue was whether the coming peace treaty with Japan should explicitly oblige the Japanese government to pay indemnities to Japanese nationals who had lived in each peripheral region and were repatriated forcefully, thereby losing their private external assets by which they earned their livelihoods.<sup>13</sup>

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<sup>11</sup> “Comments on Ambassador Pauley’s Report to the President.”

<sup>12</sup> Asano, *Teikoku Nihon*, p. 608.

<sup>13</sup> Asano, *Teikoku Nihon*, p. 612.

This practice had a precedent; the peace treaty with Italy in 1947 obliged the Italian government to pay indemnities to its own nationals whose private properties had been confiscated by the Allied powers.

Against this backdrop, the first strategy that the Japanese government devised to persuade the Allied powers was to insist that Korea should be regarded as having had the same legal status as Poland had for Germany in the Versailles Treaty after World War I, and that South Sakhalin and Taiwan should be analogous to German peripheral ex-territories such as Schleswig and Holstein.<sup>14</sup> The Versailles Treaty allowed German residents to take their own movable assets out from ceded territories. And the German government paid formal indemnities to make up for those inhabitants' losses of private real estates, because they had been seized as a kind of mortgage for public reparations that the German government was bound to pay. In the case of Japan after World War II, however, the Japanese government proved extremely loath to provide official indemnities for its own repatriates, while planning to pay only a little money as a token of sympathy (see below).

In short, the Japanese government argued that Japanese private external assets should be counted as part of formal reparations on the one hand, but consistently rejected its obligation to pay indemnities for their own nationals on the other. It seemed to give the top priority to Japan's economic reconstruction.

The government's second strategy was to recognize the liquidation of Japanese assets overseas under the condition that all indemnities for war victims of colonial peoples and all other claims originating from whatever actions Japan took during the war should be politically offset in return. A document of the Foreign Ministry stated the following:

Reparations by liquidating all Japanese external assets should be offset with Allied nations' war damages, foreigners' private loans, and any other claims, such as indemnities for military currencies during the war and public loans. All claims that originated before the termination of the war should come to an end in exchange for liquidating all Japanese external assets.<sup>15</sup>

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<sup>14</sup> Asano, *Teikoku Nihon*, p. 609.

<sup>15</sup> Asano, *Teikoku Nihon*, pp. 611-612.



Here, the “foreigners” supposedly included ex-colonial peoples. Then, all Japanese external assets, including national, public, and private properties, were to be offered as mortgage both for Japanese reparations to Allied nations and for all claims from colonies including war victims. It is obvious that the payment of reparations for war claims is one thing, while the liquidation of an empire is another, but these two issues came to be tied up not only in US reparations policy but also in Japan’s counterstrategy. This tie would later strengthen in the course of the Cold War.

The third strategy that the Japanese government adopted was to ensure that the anticipated peace treaty would reject the Korean and Chinese governments’ claims over several assets located in Japan proper. There were buildings in Tokyo used as branch offices of governor generals in Taiwan and Korea. There was also an embassy of Manchu-kuo as well as some recreation centers owned by the employees’ associations of these colonial institutions. After the GHQ abolished the Japanese government’s administration over Korea and Taiwan in January 1946, Tokyo tried to dodge all claims of the Korean provisional government and the Chinese KMT regime targeting these ex-colonial real estates in Japan proper.

Furthermore, the Japanese imperial government bestowed the former Korean emperor with the title of king and ranked him as a special duke. His family owned many properties in Japan. For example, the Korean prince’s family had a beautiful house in Akasaka, which has now been converted into the Akasaka Prince Hotel’s old building for weddings. It also owned a vacation house in Oiso, which the widow of Count Hirobumi Ito<sup>16</sup> donated in 1925, when the prince married a Japanese royal lady, Masako Nashimoto-Miya. When Seung-man Lee, would-be first president of Korea, came to Tokyo in 1947 to visit MacArthur and the Japanese prime minister Shigeru Yoshida, he also had an informal meeting with the Korean ex-prince. Lee turned down the prince’s suggestion that he return to Korea with some special prerogatives to spend his new life with dignity in Korea, which could have possibly meant the privilege of living in a former imperial palace

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<sup>16</sup> Ito was the first Korean governor general after Korea’s annexation but was assassinated there in 1911.

in Seoul with its respectable social status somehow endorsed by the new Korean government. After Japan's new constitution was promulgated in May 1947 and all benefits for the nobility ceased, the former Korean prince had no choice but to live in his own properties in Japan. If he had been welcomed to Korea with special status, he might have donated all his assets to the newly established Korean government as a token of celebration from the former royal family. However, Seung-man Lee rejected the prince's proposal with the belief that all properties owned by the former royal family should automatically belong to the Korean government as the enemy's national assets. In fact, as I will discuss below, the Korean government claimed as such when diplomatic negotiations for normalization started in 1951.

So how did the United States strike a bargain with the Japanese government that pursued the strategies described above? Thorough research has not yet been conducted on the details of the US role in mediating negotiations between Japan and Korea. At least, it is clear that the United States had powerful leverage to control postwar Japan, making Japan its inseparable ally. During the occupation period, US loans to Japan, which consisted of "indirect occupation costs," skyrocketed, reaching roughly 2 billion US dollars, which covered occupation-related expenses including food, medicines, and transportation fees for the repatriation of Japanese citizens from the former colonies. US navy cargo ships called LSTs were used to relocate Japanese residents from the peripheral territories to Japan proper in 1945-1947. In short, the deconstruction of the Japanese Empire was forcefully implemented with American capital, which resulted in a huge amount of assets in the former colonies being abandoned and Japan being saddled with an equally colossal amount in loans, through which the United States would control Japan's postwar course.

JAPANESE REPATRIATES  
AND DOMESTIC POLITICS

In addition to US reparations policies, the Japanese government also faced domestic pressure from Japanese repatriates who had returned from the colonies without the necessities to sustain their lives in Japan proper, having no jobs, no houses, and no food. As more repatriates returned to the homeland, they became a target of the hatred of mainlanders including even their closest relatives, because there was neither food nor accommodation sufficient even for those in Japan proper amidst the war-torn postwar society. Furthermore, Japanese mainlanders ostracized the repatriates as ugly speculators, who had earned their livings from Japanese imperialism and had allegedly been served by several indigenous servants in luxurious houses in the colonial days.

However, the repatriates regarded themselves as plain and humble descendents of respectable founding fathers, who as second or third sons of peasant families<sup>17</sup> had decided to emigrate to the peripheral regions believing in the causes of the Japanese Empire to “regenerate Eastern civilization.” Some leaders of the repatriates maintained that however dubious the official imperial discourse might have been, it was only natural for these second or third sons to have tried to seek new opportunities overseas believing in the imperial cause. The colonies were their frontiers, which molded them into advocates of Japanese militarism.<sup>18</sup>

In this social context in Japan proper, there existed a social gulf between the mainlanders and repatriates; some young repatriates had never seen their homeland before the evacuation, while their kin in Japan proper barely showed them sympathy. Unsurprisingly, many repatriates dreamed of returning to their colonial “homes.” In response, the Japanese foreign ministry selected and aided a number of these repatriates to re-

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<sup>17</sup> Traditionally, these men and women were not legally qualified to inherit family properties in agricultural villages in Japan. In those days, a Japanese extended family governed and inherited by the eldest son was a kind of small production unit that owned lands, made up of several nuclear families and single workers.

<sup>18</sup> Shiroto Shuichi, *Shiyu zaisan ron: Zaigai zaisan hoshō yōkyū undo shi* [Private Property: A History of the Movement Requesting the Compensation of Assets Left Abroad] (Tokyo: Kozo-sha, 1971), p. 139.

emigrate to foreign lands, possibly to Asian countries, but in practice to the US sphere, for example, to the Dominican Republic, Peru, Bolivia, and other countries of Central and South America, which the United States admitted as destinations of their re-emigration without fear of revitalizing Japanese expansion as would perhaps happen if in Asia.

The nation re-building of postwar Japan as what is called a homogeneous society was a very critical issue because of the discriminative social status of repatriates and their massive immigration from ex-colonies to Japan proper. In order to process the rebuilding of the nation, Japanese civilian memories related to Japan's experiences of war as a victim proved to be indispensable in concealing the psychological gap between repatriates and mainlanders.<sup>19</sup> The miserable, merciless, and critical experiences of exodus and rescue, typical in the memories of Japanese former inhabitants in the colonies, were thus selected to symbolize the collective body of "repatriates" and were absorbed into mainlanders' memories of being war victims, which derived mainly from the experience of being bombarded as civilians.

In reality, however, even in the seemingly homogenous mass of repatriates, some had been civilians, while others had been public officials responsible for colonial rule. Among the officials, some might have been military policemen and soldiers, and others might well have been businessmen of special agencies that had been almost fully subsidized by the government. Presumably, it soon became a kind of taboo, the breaking of which might well damage the fragile and narrowly maintained national unity based on memories as war victims, to condemn the repatriates as people of the ruling classes in the colonies enjoying luxurious lives.

Utilizing the national necessity of maintaining this fragile equilibrium, the repatriates launched a political campaign soon after evacuation from the colonies. They largely pursued three purposes: two of the purposes were pragmatic, while the third one concerned their political principles. First, the repatriates requested that their lost

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<sup>19</sup> Asano Toyomi, "Oritatamareta teikoku; sengo nihon niokeru hikiage no kioku to sengoteki kachi" [A Shrunken Empire; Collective Memories of Japanese Repatriates and the Value of Peace and Human Rights in Postwar Japan], Hosoya Chihiro, Irie Akira, and Oshiba Ryo, eds., *Kioku toshite no Paaru Haabaa* [Pearl Harbor as a Memory] (Tokyo: Minerva Publishers, 2004), pp. 273-315.

family members left in North Korea, Manchuria, and Siberia be taken back. Secondly, they demanded stronger government support for their employment, housing, and other conditions to resettle in Japan proper. The last but most profound goal of their movement was to make the Japanese government recognize the national legitimacy of their “voluntary” emigration to the colonies. In May 1946, the repatriates from Korea sent an impressive message to the government:

The first of the three fundamental problems is to clarify the basic character of repatriates. Some Japanese mainlanders are inclined to regard us as speculators of Japanese imperialism, who led Japan to invade Korea and exploit the people. We regret these misunderstandings and false accusations. We simply yearned for close coalition and fusion of Japan and Korea, helping Koreans develop their own economy and culture. Such criticisms that have overlooked these social developments accomplished under Japanese rule simply accusing all Japanese residents in Korea of being imperialists are completely wrong. They are playing up a small part of the controversies of the past, neglecting contemporarily accomplished cultural and economical developments in Korea and distorting the fundamental meaning of Japanese rule over Korea.<sup>20</sup>

It seems to have been true that as the repatriates’ social position became really more miserable, their opinions gained more influence. At least, it was extremely difficult for mainlanders and still more for the Japanese government to denounce these miserable repatriates in public as speculators of imperialism.

On the other hand, the repatriates’ demand to clarify the fundamental meaning of their sufferings was related to their political movement to legitimize the legal status of their private external assets and demand compensation for them. On July 21, 1946, for example, Shinrokuro Hozumi, president of the Association of Repatriated Japanese from Korea, made the following memorial address dedicated to the souls of the dead en route from Korea:

I am sure that your accomplishments will never disappear even after the termination of the war. As long as history continues and the state of Japan exists, I am sure that the day will come when your accomplishments

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<sup>20</sup> Asano, *Teikoku Nihon*, p. 591. The original document is in “Hikiage sokushin seigan kankei zakken” [Files of Petitions for Accelerating Repatriation], Sengo gaiko kiroku [Postwar Diplomatic Records of the Japanese Foreign Ministry], K0016.

will come to shine brightly free of propaganda and we shall confidently describe what you did in Korea. When the peace treaty is signed, which will enable Japan to start free communication and free trade, your accomplishments and your sacrifices will certainly be resurrected as the new foundations of a brilliant future in Asia.<sup>21</sup>

As is symbolized in this statement, the repatriates began to regard Japanese private external assets as something sacred related to their identities and symbolizing Japanese accomplishments in its colonies. In order to motivate and sustain their new lives in Japan proper without obliterating prewar experiences, vindicating to the world their claims for their lost properties was by all means indispensable.

#### CONFLICTS BETWEEN DIFFERENT SPECIAL MEANINGS OF JAPANESE EXTERNAL ASSETS

From the Korean point of view, however, Japanese external assets were nothing but an illegitimate product of colonial exploitation. In this sense, the Koreans imbued another special meaning, one of national humiliation, into Japanese properties in Korea. And in practice, many Koreans who had been mobilized in the war and returned from overseas including mainland Japan and Manchuria needed accommodation and jobs. Although the titles of Japanese properties left in South Korea were transferred first to the US military government and finally to the Korean government, much corruption remained while many economic installations were not utilized well. How to make a new regional economic network, transfer technologies to Korea, utilize US capital, and partly remake Japanese economic installations were supposed to be important issues not only for Korea and Japan but also for the United States.

On the other hand, negotiations between Japan and Korea to normalize their diplomatic relations revealed that totally different meanings were attached to Japanese external assets in Korea between the two sides, which brought the negotiations to a deadlock. On October 15,

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<sup>21</sup> "Chosen hikiage doho sewakai tokuho," no.2, July 21, 1946.

1953, at the third conference of the negotiations, Korean diplomatic delegates told their Japanese counterparts as follows:

The 1910 treaty annexing Korea was null and void from scratch. Furthermore, even after colonization, 90 percent of important industrial capital, 60 to 70 percent of land, and all of the mining industry were practically controlled by the Japanese. Under these profitable and advantageous circumstances of the public sector, Japanese private properties were accumulated. Furthermore, since Japan accepted the Potsdam Declaration, which admitted the independence of Korea according to the new principle of self-determination, Japan must follow a higher level of new international law by which the US military government confiscated Japanese private external assets in Korea. All rights and titles of Japanese external assets belonged first to the United States, and were then handed over to the Korean government after independence in 1948.<sup>22</sup>

The Japanese delegates refuted this argument:

The 1910 treaty annexing Korea will be null and void only when a new treaty between Japan and Korea is ratified, after we agree. At least before 1931, the Japanese legitimately immigrated to South Korea, because the annexation of Korea was recognized by international law (as was endorsed by the fact that the United States and Britain downgraded their embassies in Seoul to mere consulates in 1905). However, when Japan admits the independence of Korea, we will no longer demand national and public assets, but at least private assets should be compensated under the Hague Treaty of 1907. Even the US military forces could not have violated international law to which private properties were subject. Even if Japan recognizes all legal effects of US military ordinances in South Korea under Article 4b of the San Francisco Peace Treaty, the Korean government must still compensate for Japanese private properties. If the Korean government should not compensate them, the United States must be accused of violation of international law. We do not wish to see the United States accused of being a violator.<sup>23</sup>

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<sup>22</sup> Asano, *Teikoku Nihon*, pp. 564-566. Haruta Tetsukichi, *Nihon no kaigai shokuminchi tochi no shuen* [The End of Japanese Colonial Rule] (Tokyo: Hara Publishers, 1999), pp. 322-330.

<sup>23</sup> The Japanese delegate added, "The military ordinance from USAFIK (United States Army Forces in Korea) in December 1945, which ordered Japanese residents in South Korea to be evacuated, was a violation of wartime international law. And USAFIK military ordinance no.33 that ordered requisition (afterwards converted to confiscation) of Japanese external assets was also a violation of wartime international law, which was defined in the Hague Treaty in 1907. Private properties, in the Hague Treaty, are not supposed to be confiscated

The Korean delegates insisted further as follows:

The confiscation of Japanese private assets was legitimate in terms of cutting off the extended power of the Japanese ruling machine. In the era of total war, even private properties were to be mobilized for war.... New international law seems to have been born in tandem with the emergence of the principle of national self-determination, which is superior to the principle of protection of private properties between belligerents.<sup>24</sup>

The declassified documents stop here. In fact, however, immediately after World War I, when German external private assets were liquidated, the Versailles Treaty regarded liquidated German private assets as a kind of mortgage for official reparations of the German government. In this regard, international law protected German external private assets. Still, the German government bore the responsibility of compensating German repatriates for their external assets, though this compensation was not sufficient. The Japanese government's approach to Japanese external assets in Korea seems to have been simply to advocate the protection of international law, while trying to exempt itself from the obligation to pay indemnities to Japanese repatriates.

In 1965, the Japanese and Korean governments finally normalized their diplomatic relations and agreed on economic cooperation funds from Japan to Korea, qualifying this agreement as tandem with the final settlement, at least at the government level, of all Korean claims for war damages and Japanese claims over external assets. In short, in exchange for the Japanese government's relinquishing diplomatic protection over Japanese repatriates' claims over external private properties and transferring the claims to the Korean government, the Japanese government evaded any Korean claims that derived from colonial rule including compensation for Korea's war-related damages and disadvantages of the Korean people, which after the treaty were supposed to be covered by the Korean government.

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even if the owners belonged to a defeated nation unless militarily indispensable. Still, even in such a case, they must be requisitioned with due compensation." Asano, *Teikoku Nihon*, p. 564. Takasaki Soji, "*Mogen*" no Genkei: *Nihon-jin no Chosen-kan* [Archetype of "Nonsense": Japanese View of Koreans] (Tokyo: Mokuseisha, 1990), pp. 230-235.

<sup>24</sup> Ibid.



Typical Korean war-related claims included (1) Korean soldiers' salaries saved in Japanese national postal accounts during their service in the Japanese military and (2) indemnities for the loss of their lives, to be paid to their families. Approximately 240,000 Korean men were mobilized for the war either as soldiers or as paramilitary personnel with 5 percent and 12 percent of them respectively having died.<sup>25</sup> The postwar Japanese government had been responsible for these sacrifices in the same way it was for the soldiers and their families of genuine Japanese nationality.<sup>26</sup>

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<sup>25</sup> As for Korean men, 116,294 were mobilized as soldiers and 126,047 as paramilitary personnel, of which 6,178 (5.3%) and 16,004 (12.7%) died, respectively. As for Taiwanese men, 80,433 were mobilized as soldiers and 126,750 as paramilitary personnel, of which 2,146 (2.7%) and 28,160 (22.2%) died, respectively. As for proper Japanese, 7.8 million men were mobilized for the war, of which 2.3 million men died. Originally pronounced by the Ministry of Welfare in 1990, cited from HP of Japanese activists, Nihon no Sengo Sekinin wo Hakkiri Saseru Kai [Association for Clarifying the War Responsibilities of the Japanese Government], <http://hs-8899.hp.infoseek.co.jp/korean.hosho.html>. The total number of Japanese soldiers and civilians who died is from the record of the Japanese 71st Diet on July 3, 1973 at the Social and Labor Committee of the Upper Diet. <http://kokkai.ndl.go.jp/>

<sup>26</sup> There were cases in which Korean war-related claims were proved by Japanese civilians. For example, when 390 Korean comfort women in Southeast Asian countries gathered in Vietnam and returned home as members of "women's voluntary corps," a Korean civilian who had lived in Vietnam before the war decided to take responsibility for taking care of these demobilized Koreans, after the Japanese Army committed the role to him. In principle, the Japanese government had to be responsible for these women, but the Japanese embassy was not able to pay for this costly repatriation work since the GHQ in Tokyo forbade money transfer from Japan to embassies and consulates abroad. Every Japanese embassy and consulate narrowly functioned in the early postwar days by borrowing money from its affluent Japanese compatriots and very few Korean civilians. In the 1950s, the aforementioned Korean civilian, who had helped to repatriate the mobilized Koreans, tried to remark on his contribution to Japanese public affairs and sent a letter to a Japanese official in charge of problems of the former military personnel. The Korean wrote: "After the end of the war, Korean civilians who gathered at Saigon in Vietnam amounted to 753 people, including 87 civilians residing there and 666 former paramilitary personnel (203 POW center staff included). Besides the civilians mentioned above, there were 73 drafted sailors and 390 women from the "women's voluntary corps." The Japanese ex-official replied: "Reading your letter, I think back to the past days when you expressed deep sympathy for the defeated Japanese and took up the heroic responsibility for your own beloved people of Korea. It is my regret that the Japanese government has not yet rewarded [people like you] with anything other than words. It was my pleasure to be consulted by you in respect of your asking for confirmation of these incidents. Your letter has filled me with deep emotion regarding the past days." Originates from a file of "Minganin dung we taeil chongukong haegyol munje [Settlement of Civilian Claims against the Japanese],

Besides these demands, there were other Korean claims, many of which concerned Koreans' assets in Japan proper and their wartime loan to the Japanese government derived from the colonial budget system. Most Korean claims made to the postwar Japanese government derived from such assets and loans originating from the separation of Korea from Japan.<sup>27</sup>

Both Korean war claims and Japanese claims over external assets were considered as offset with Japan's aid for the economic development of Korea. Yet this framework is still criticized as exonerating Japanese wartime responsibility. Anyway, in order to understand how this situation emerged, it is essential to study the development of these issues including the debate over the political character of Japanese properties in Korea and the American commitment to creating a new relationship between Japan and Korea.

## CONCLUSION

US commitment to the deconstruction of the Japanese Empire can be concluded as follows. First of all, the Japanese Empire was deconstructed and remolded by US capital following the blueprint whereby the Japanese Empire should be reconstructed into a regional network based on normal international relations among the newly independent countries of East Asia. Its special leverage was nothing but Japanese postwar reparations, which meant not only the confiscation of Japanese external assets, but also the transfer of some heavy industrial factories from Japan to its neighbors.

Secondly, even after softening its reparations policy, the United States still imposed a huge debt owed by postwar Japan derived from the cost of occupation, including the actual expenses of the forceful

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1955-1965," Korean diplomatic documents, 723.1JA/ 1474, at the Research Center for Diplomacy and Security in Seoul of South Korea.

<sup>27</sup> Bak-jin Chang, "Hanil hwedam esowi pihe posang kyosop wi pyonwha kwajong punsok" [An Analysis of the Changing Processes in the Negotiations for Compensation in the South Korea-Japan Normalization Talks], *Jongsin Munwha Yong* [Korean Studies Quarterly], no. 110, 2008.

deconstruction of the Japanese Empire, such as the fees to feed Japanese repatriates at US military camps in South Korea and to evacuate them on LST ships. In this context when diplomatic normalization talks between Japan and Korea became deadlocked to reach a temporary end, the Japanese government presumably followed the United States' suggestion to rescind its claim over external assets on the promise that the United States would reduce the amount of Japan's loan repayment.

Thirdly, at the final stage of the negotiations, the Korean side also followed the US suggestion. Originally, when the United States recognized the independence of Korea in 1948, the US government transferred Japanese assets to the Korean government as part of US economic aid. Though the Korean president Syngman Rhee's tough demand to the United States for its heavy industrialization is well known,<sup>28</sup> Syngman Rhee finally appeared to have accepted the United States' advice and abandoned its war claims to be compensated by the Japanese government. The Korean government also abandoned another claim to some assets remaining in Japan. Instead, the Korean government accepted a new international economic framework of accelerating Japanese economic aid as a substitute for decreasing US aid. The Korean and Japanese governments agreed to regard both claims for war compensation of Koreans and those for Japanese external assets in Korea as settled at least on the diplomatic level.

Not only US commitment but the necessity for the domestic stability of both nations pushed them to form a new relationship. Money for economic cooperation appeared more practical than precisely calculating all claims of both countries evoking strong nationalistic reactions from both nations. Evaluation itself, if processed, might have provoked serious political debate and thwarted Japan's nation rebuilding and perhaps that of South Korea as well. In addition, should such calculation be done and a certain kind of reparations be paid to the Korean government, the Japanese government would be bound to be also formally responsible for indemnities toward Japanese repatriates who were advocating rescuing the causes of the Japanese Empire also for their own sake. Indeed, the Japanese government only paid some money to them as compassion

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<sup>28</sup> Jong-Wong Lee, *Higashi Ajia reisen to Kanbeinichi kankei* [The Cold War in East Asia and the Relations among Korea, the United States, and Japan] (Tokyo: Tokyo University Press, 1996).

and not as formal compensation. Such an act would naturally have disappointed the repatriates for they regarded the external properties as a symbol of what their ancestors had achieved in the colonies. From the Korean point of view, however, the Japanese external assets loomed as a legacy of Japanese imperialism and exploitation of Korea.

Amidst the bitter clash of the different images projected onto the properties in Korea, there was no choice left but to resolve it politically, not legally. On the eve of normalization in 1965, the Japanese government again decided to offer special allowance to Japanese repatriates as a token of sympathy, an amount in proportion to the duration of their residence in the colonies. In 1967, adding to 50 billion yen (138 million US dollars), which had already been allocated in 1957 to support the resettlement of repatriates, the Japanese government distributed 192 billion yen (534 million dollars) to 3.49 million repatriates. The amount spent on Japan's economic cooperation with Korea in 1965 was 300 million dollars as *ex gratia* and 200 million dollars in the form of loans.<sup>29</sup>

In the tripartite relationship among Korea, Japan, and the United States, the normalization of Japan's relations with Korea was achieved, but it was no more than a framework for the sake of political expediency. In the framework by which the national sentiments of Korea and Japan came to be contained, the issue of Japanese external assets and Korean War compensation became a point of contention between the two nationalisms. In this context, postwar Japan could be characterized as a "shrunk empire," with its special attachment to colonial society left behind. Even after the destruction of the Japanese Empire, the external assets were something more than mere properties. The assets became a locus of the repatriates' special sentiment towards their ancestors and embodied what modern Japan had done in former generations. In fact, even after beginning to settle down in postwar Japanese society, some repatriates still dreamed of returning to their homes.<sup>30</sup>

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<sup>29</sup> As for war claims, even proper Japanese war claims are still under debate, particularly for those civilians who died by US bombing and those paramilitary civilians who did not qualify to receive formal pensions. Only those killed by the atomic bomb and nurses in the Japanese Army came to qualify for some public money. There seems to exist a Japanese domestic standard of war claims toward proper Japanese. Under this standard, it is impossible to compensate Korean war claims from public funds.

<sup>30</sup> After repatriation, they had trained themselves and their children for this purpose. Many

At least in the first stage of the postwar era, American occupation forces were stationed in South Korea and Okinawa, trying to contain the revival of Japanese militarism, lest these two places be utilized as the bases of Japanese expansionism which suddenly return. If South Korea was the front state in the Cold War made by the United States, the equilibrium between postwar Japan as a forcefully “shrunk empire” and the front state of Korea was at the initial stage narrowly maintained by the United States until a new reciprocal relationship was formed and economic development would totally renew the two societies. With the United States functioning as a bolstering power after the deconstruction of the Japanese Empire, normalization was achieved in 1965 between the “shrunk empire” and its independent ex-colony, both under the overwhelming influence of the United States.

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of them were expected to be dispatched to their prewar homeland with special technology. The Japanese Foreign Ministry regarded them as the most appropriate people as either new emigrants or aiding staff in those purposes because they were used to indigenous foods and climates.